



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest, **Investor.gov**



Cryptocurrency and Investor Protections

DoD Financial Readiness Training Symposium

April 30 – May 1, 2019

M. Owen Donley III

*Chief Counsel
Office of Investor Education and
Advocacy
United States Securities and Exchange
Commission*

Meredith Scialabba

*Customer Outreach Specialist
Office of External Affairs
United States Commodity Futures
Trading Commission*



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission or of the author's colleagues on the staff of the Commission.



CFTC Disclaimer

This presentation is being made by a representative of the U.S. Commodity Futures Trading Commission on behalf of the Commission for educational and informational purposes only. It does not constitute legal interpretation, guidance or advice of the Commission. Any opinions or views stated by the presenter are his/her own and may not represent the Commission's views. References in this presentation to studies and news reports do not constitute endorsements, recommendations, or favoring by the CFTC.



Contents

- Overview of the Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission
- Who's at risk for investment fraud
- Introduction to Bitcoin and virtual currency
- Virtual currency risks and red flags of fraud
- Initial Coin Offerings (ICOs) and Howie Coins
- SEC and CFTC educational resources
- Contact information



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

About the SEC

- **Congress created the SEC in the Securities Exchange Act of 1934 (“Exchange Act”)**
- **Created to restore investor confidence in the capital markets following the crash of 1929 and the Great Depression**



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

About the SEC

The main purposes of the Exchange Act, as well as the Securities Act of 1933 (“Securities Act”), can be reduced to two common-sense notions:

- **Companies publicly offering securities for investment must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing.**
- **People who sell and trade securities – brokers, dealers, and exchanges – must treat investors fairly and honestly.**



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

About the SEC

The Mission of the SEC:

- Protect Investors
- Maintain Fair, Orderly, and Efficient Markets
- Facilitate Capital Formation



Timeline and Milestones

The CFTC was established in 1974 as an independent federal agency to regulate the commodity futures markets.

The underlying feature of these markets function for participants to navigate risk or assume risk.

Participants do this by entering into contracts to buy or sell an amount of something at a fixed price at a future date.

Learn more: www.cftc.gov

Source: CFTC FY2018 Agency Financial Report (November 2018).





Timeline and Milestones

The CFTC's roots go back to the 1860s when agricultural markets for wheat, corn and cotton were first established and farmers entered into contracts promising a particular yield of a crop by a set date at a set price.

This agreement helps a farmer plan for future risks to crops, such as floods or drought, and also helps the buyer to receive a crop at a price they want to pay on a particular date.

Learn more: www.cftc.gov

Source: CFTC FY2018 Agency Financial Report (November 2018).



Timeline and Milestones

Buyers and sellers enter into standardized contracts through exchanges and these markets have grown to include energy and metal commodities, such as crude oil, heating oil, gasoline, copper, gold and silver.



Over time, contracts based on interest rates, stock indexes, foreign currency and other products have far exceeded agricultural contracts in trading volume.

Learn more: www.cftc.gov

Source: CFTC FY2018 Agency Financial Report (November 2018).



Timeline and Milestones

In the aftermath of the 2008 financial crisis, the CFTC's mandate was expanded to oversee the more than \$400 trillion swaps market, which is about 12 times the size of the futures market.

In 2015, the CFTC declared virtual currency a “commodity” subject to oversight under its authority under the Commodity Exchange Act.

Learn more: www.cftc.gov

Source: CFTC FY2018 Agency Financial Report (November 2018).



Mission

CFTC Mission

- Foster open, transparent, competitive, and financially sound markets.
- Protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act (CEA).

Read more about the CFTC's responsibilities: <https://www.cftc.gov/About/MissionResponsibilities/index.htm>



Outreach

The Office of External Affairs (OEA)

- OEA engages in outreach and education to retail investors, traders, industry organizations, the agricultural community and frequently partners with federal and state regulators as well as consumer protection groups.
 - OEA manages the RED (Registration Deficient) List, a database of foreign entities who appear to be soliciting U.S. customers but are not registered with the CFTC. The entities on the RED List are required to register with the CFTC.
 - OEA maintains several resources pages on CFTC.gov that feature informational materials like brochures, reports and advisories including www.cftc.gov/bitcoin, the Commission's dedicated webpage to virtual currency resources.
 - Connect with us on Facebook (@CFTCgov) and Twitter (@CFTC)!
-



Who's at risk? It might surprise you

WHO GETS TAKEN?

It's not who you think.

Experienced investors are the ones most commonly being defrauded.

- Married Male
- Age 50-65
- College Educated
- Nest Egg
- Financially Literate
- Open to High-Risk Investments
- Belongs to Religious or Professional Group
- Unlikely to Check Broker Background
- Recent Change in Financial or Health Status





Virtual Currency explained

- Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value, but it does not have legal tender status in the United States.
- Virtual currencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank.
- Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies.

Learn more at www.cftc.gov/bitcoin



Virtual Currency explained (cont.)

- When you buy or sell virtual currencies with dollars for your personal wallet, you are buying on the cash or spot market.
- Virtual currencies can also be purchased through initial coin offerings or ICOs.

Learn more at www.cftc.gov/bitcoin



Bitcoin background

What is Bitcoin?

- Bitcoin is a convertible virtual currency. It is one of many virtual currencies in the market but is currently the largest convertible virtual currency by market capitalization.
- Bitcoin was created in 2008 by a person or group that used the name “Satoshi Nakamoto,” with the belief that: *“[w]hat is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party.”*





Bitcoin background (cont.)

What are Bitcoin characteristics?

- Is “pseudonymous” (or partially anonymous) in that an individual is identified by an alpha-numeric public key/address;
- Relies on cryptography (and unique digital signatures) for security based on public and private keys and complex mathematical algorithms;
- Runs on a decentralized peer-to-peer network of computers and “miners” that operate on open-source software and do “work” to validate and irrevocably log transactions on a permanent public distributed ledger visible to the entire network, also known as the “**blockchain**”;



Bitcoin background (cont.)

What are Bitcoin characteristics?

- Solves the lack of trust between participants who may be strangers to each other on a public ledger through the transaction validation work noted in the sub-bullet above;
- Enables the transfer of ownership without the need for a trusted, central intermediary.





Virtual Currency Appeal

Unlike other investment frauds that target pre-retirees, retirees, or high-net worth individuals, virtual currency investments are very appealing to a *younger demographic* who are open to taking on risk.

- Anecdotally, we know that high school students and children as young as middle school are interested in virtual currencies!
- A survey of 1,000 college students with loan debt found that more than 20 percent of them use their financial aid money to invest in virtual currencies.

Sources:

CNNMoney, "[Young people are drawn to cryptocurrency. But what about the risks?](#)" May 14, 2018.

CNBC, "[College students are investing in bitcoin with financial aid money.](#)" March 23, 2018.



Virtual Currency Appeal (cont.)

- Despite the unpredictable nature of cryptocurrencies, many Millennials report they find investing in them less intimidating than putting money in the stock market or other traditional investments.
- A survey conducted by NASAA found that Millennials are most at risk for fraud as they are most likely to use fintech products (84 percent) and also most at-risk of fraud from fintech products (41 percent).

Sources:

MarketWatch, “[Millennials are afraid stocks are too risky, so they’re investing in bitcoin](#),” February 12, 2018.

North American Securities Administrators Association (NASAA), “[Survey Shows Millennials at Greatest Risk for Fintech Fraud; Need for Increased Vigilance by Regulators, Industry and Investors](#).”, February 2018 Pulse Poll: Fintech (February 15, 2018)..



Virtual Currency Risks

Why is purchasing Bitcoin and other virtual currencies so risky?

- Purchasing virtual currencies on the cash market – spending dollars to purchase Bitcoin for your personal wallet, for example – comes with a number of risks, including:
 - Most cash markets are not regulated or supervised by a government agency;
 - Platforms in the cash market may lack critical system safeguards, including customer protections;



Virtual Currency Risks (cont.)

Why is purchasing Bitcoin and other virtual currencies so risky?

- Volatile cash market price swings or flash crashes;
- Cash market manipulation;
- Cyber risks, such as hacking customer wallets; and/or
- Platforms selling from their own accounts and putting customers at an unfair disadvantage.



Red Flags are still the same

Fraudsters are using the same tactics with virtual currency as they always have!

Here are some common red flags:

- ✓ Superficial Signs of Legitimacy Online and Offline
- ✓ Urgency
- ✓ Promising Huge Returns
- ✓ Offering a “Favor”
- ✓ Aggressive Sales Tactics
- ✓ Confusing Explanations



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Cryptocurrencies and Digital Assets

- Some cryptocurrencies purport to be fiat currency replacements.
- Digital representation of value.
- Use Blockchain technology.
- To date, not approved for listing and trading any exchange-traded products (such as ETFs) holding cryptocurrencies



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Initial Coin Offerings

- Increased usage of ICOs to raise capital.
- Capital raised to be used to develop platform, software or other project.
- Offering of specific token/coin for the project—different than cryptocurrency.
- Virtual token/coin offers "utility."



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

ICO Hallmarks

- Professional-looking website.
- Team members listed with relevant credentials and experience.
- White paper detailing technical specifics.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

The screenshot shows a web browser window with the URL www.howeycoins.com/index.html. The website header features the **HOWEYCOINS** logo and navigation links: [ABOUT](#), [INVESTMENT LADDER](#), [MEET THE TEAM](#), [TESTIMONIALS](#), and [CONTACT](#). The main content area has a background image of a tropical resort with a swimming pool. The central text reads **PRE-ICO SALE IS LIVE**. Below this, a dark grey box contains a countdown timer: **15% BONUS ENDS IN** followed by **14 : 22 : 26 : 14**. Underneath the numbers are the labels **Day(s)**, **Hours(s)**, **Minute(s)**, and **Second(s)**. To the right of the timer is a red button that says **TOKEN SALE!** and a blue button that says **Learn More**.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

DON'T MISS THIS EXCLUSIVE OPPORTUNITY TO PARTICIPATE IN HOWEYCOINS TRAVEL NETWORK NOW!

Combining the two most growth-oriented segments of the digital economy – blockchain technology and travel, HoweyCoin is the newest and only coin offering that captures the magic of coin trading profits AND the excitement and guaranteed returns of the travel industry. HoweyCoins will partner with all segments of the travel industry (air, hotel, car rental, and luxury segments), earning coins you can trade for profit instead of points. Massive potential upside benefits like:

- HoweyCoins are officially registered with the U.S. government;
- HoweyCoins will trade on an SEC-compliant exchange where you can buy and sell them for profit;
- HoweyCoins can be used with existing points programs;
- HoweyCoins can be exchanged for cryptocurrencies and cash;
- HoweyCoins can be spent at any participating airline or hotel;
- HoweyCoins can also be redeemed for merchandise.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

INVESTMENT LADDER

Investors can purchase HoweyCoins with any major credit card, widely-circulated coin, or with TravExcoins, our exclusive e-commerce partner in the travel and luxury goods investment area. Investment Discounting Ladder:

HoweyCoins platform stands as one of the largest cryptocurrency platforms ever built. Recent market surveys expect the luxury travel industry to set a world-record high of over \$1.5 trillion this year. The vast majority of these business and vacation transactions require processing, centralized currency and, most importantly, nickel and dime fees that add up to literally billions. HoweyCoins utilize the latest crypto-technology to allow travelers to purchase all segments without these limitations, allowing HoweyCoin users to buy, sell, and trade in a frictionless environment - where they use HoweyCoins to purchase travel OR as a government-backed, freely tradable investment - or both!



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

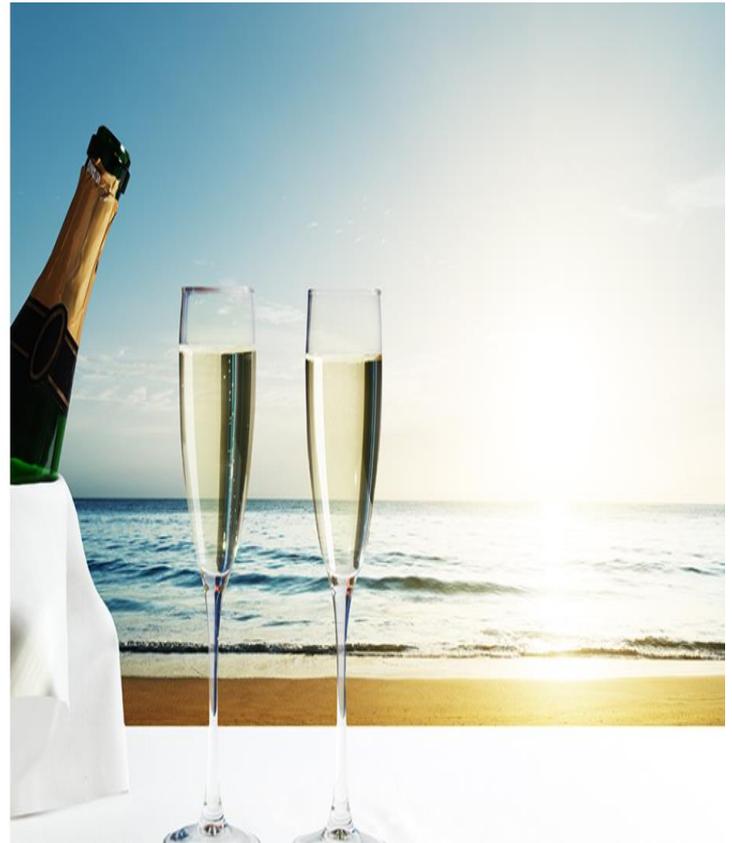
HoweyCoins.com

PLATINUM

Invest by June 1 to receive a **DOUBLE**

25% discount

[Buy Coins Now!](#)





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com



GOLD

Invest by June 15 to receive a **SINGLE**

25% discount

[Buy Coins Now!](#)



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

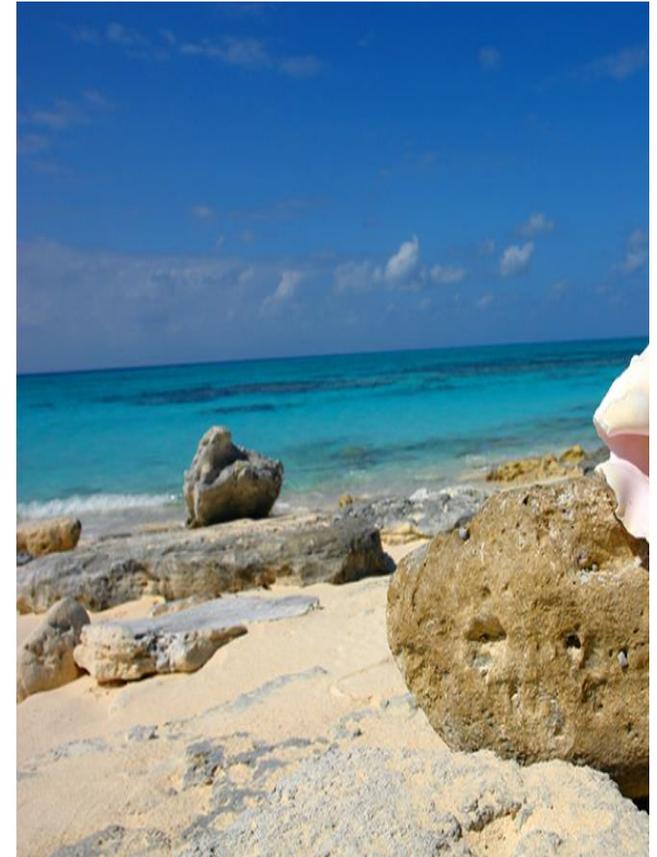
HoweyCoins.com

SILVER

Invest by June 30 to receive a **DOUBLE**

12.5% discount

[Buy Coins Now!](#)





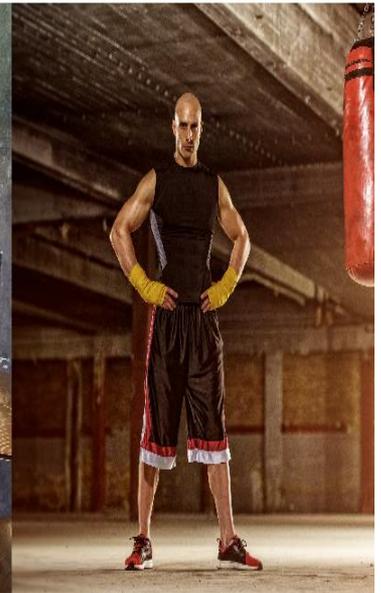
SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

CHECK OUT THESE MESSAGES FROM OUR CELEBRITY PROMOTERS





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

@McWhortle

"Can't wait to participate in the next new crypto explosion - HoweyCoins are going to change the travel landscape forever!"

@realdrummerstar

"HoweyCoins are 'how-we' invest.
#nextbigthing"

@boxingchamp1934

"I'm all about HoweyCoins - this thing is going to pop at the top!"



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

STAY TUNED

Once in, we will provide expert timing advice to make sure tier 1 and limited offer tier 2 participants maximize immediate gains with a pre-planned pump to occur shortly after the pre-ico phase ends. Our past two pumps have doubled value for the period immediately after the pump for returns of over 225%.

Send us a secured message on the social media application of your choice for more information.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

MEET THE TEAM



Josh Hinze

Co-founder and Head Architect



Ashley Turnbull

Co-founder and Head Travel
Strategist



Wayne Roswell

Head of Legal



Sabrina Holmes

Head of PR/Marketing



Aberto Silva

Co-founder and Head Engineer



Emma Kim

Head of Partner Development



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

ICO – HOWEYCOINS

If You Responded To An Investment Offer Like This, You Could Have Been Scammed – HoweyCoins Are Completely Fake!

The screenshot shows the HoweyCoins website interface. At the top left is the 'HOWEYCOINS' logo. At the top right are navigation links: 'ABOUT', 'INVESTMENT LADDER', 'MEET THE TEAM', 'TESTIMONIALS', and 'CONTACT'. The main content area features a background image of a tropical resort with a swimming pool. Overlaid on this image is a large text announcement: 'PRE-ICO SALE IS LIVE'. Below this, a dark grey box contains a countdown timer: '15% BONUS ENDS IN 014 : 11 : 29 : 50'. Underneath the numbers are labels: 'Day(s)', 'Hour(s)', 'Minute(s)', and 'Second(s)'. To the right of the timer is a red button that says 'TOKEN SALE!' and a blue button that says 'Learn More'.

Welcome to Investor.gov, the Securities and Exchange Commission's site designed for individual investors. We've recently seen fraudsters pretending to be involved in blockchain technology, initial coin offerings, and crypto-currencies – when really they are simply operating scams designed to take investors' hard-earned money. We created the bogus HoweyCoins.com site as an educational tool to alert investors to possible fraud involving digital assets like crypto-currencies and coin offerings.

Fortunately, frauds like these often have a number of “red flags” that can help you tell if the so-called “investment opportunity” is really a scam. Our bogus site is a mash-up of a number of different things we've seen – any particular fraud may be harder to spot than the red flags here. Here are some of the signs of fraud that are on the HoweyCoins site – we hope reviewing these may help you recognize a real fraud in the future!



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com



RED FLAG: CLAIMS OF HIGH, GUARANTEED RETURNS

- ▶ "HoweyCoins is the newest and only coin offering that captures the magic of coin trading profits AND the excitement and guaranteed returns."
- ▶ We anticipate OVER 7% daily returns, with DOUBLE 2% returns on Tier 1 investors in pre ICO stage limited purchases.
- ▶ We also forecast a minimum growth rate of between 7% to 13% annualized, making HoweyCoins attractive for long term investment. In addition, HoweyCoins can serve as a GUARANTEED hedge against inflation and market loss.



RED FLAG: CELEBRITY ENDORSEMENTS

- ▶ CHECK OUT THESE MESSAGES FROM OUR CELEBRITY PROMOTERS.
- ▶ "I'm all about HoweyCoins - this thing is going to pop at the top!"
@GamingChamp1924 (John "Champ" Smith, boxer).



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com



RED FLAG: CLAIMS OF "SEC-COMPLIANT"

- ▶ HoweyCoins will trade on an SEC-compliant exchange where you can buy and sell them for profit.

The SEC staff has concerns that many online trading platforms appear to investors as SEC-registered and regulated marketplaces when they are not. Many platforms refer to themselves as "exchanges," which can give the misimpression to investors that they are regulated or meet the regulatory standards of a national securities exchange. Although some of these platforms claim to use strict standards to pick only high-quality digital assets to trade, the SEC does not review these standards or the digital assets that the platforms select.



RED FLAG: INVESTING WITH A CREDIT CARD

- ▶ Investors can purchase HoweyCoins with any major credit card.

Investors should understand that most licensed and registered investment firms do not allow their customers to use credit cards to buy investments or to fund an investment account. We urge investors to work only with a licensed or registered investment professional or firm and not attempt to use a credit card to fund investments.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com



RED FLAG: INVESTING WITH A CREDIT CARD

- Investors can purchase HoweyCoins with any major credit card.

Investors should understand that most licensed and registered investment firms do not allow their customers to use credit cards to buy investments or to fund an investment account. We urge investors to work only with a licensed or registered investment professional or firm and not attempt to use a credit card to fund investments.



RED FLAG: PUMP AND DUMP SCAMS

- Special pre-ICO pump special: typically, we will provide expert timing advice to make sure Tier 1 and limited offer Tier 2 participants maximize immediate gains with a pre-planned pump to occur shortly after the pre-ICO phase ends. Our past two pumps have doubled value for the period immediately after the pump for returns of over 225%.

In a pump and dump scheme, fraudsters typically spread false or misleading information to create a buying frenzy that will "pump" up the price of a stock and then "dump" shares of the stock by selling their own shares at the inflated price. Once the fraudsters dump their shares and stop hyping the stock, the stock price typically falls and investors lose money.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

HoweyCoins.com

INVESTOR.GOV

- ▶ [Spotlight on ICOs and Digital Assets](#)
- ▶ [Chairman Jay Clayton's Statement on Cryptocurrencies and Initial Coin Offerings](#)
- ▶ [Investor Alert: Public Companies Making ICO-Related Claims](#)
- ▶ [Investor Bulletin: Initial Coin Offerings](#)
- ▶ [Investor Alert: Bitcoin and Other Virtual Currency-Related Investments](#)
- ▶ [Investor Alert: Ponzi Schemes Using Virtual Currencies](#)
- ▶ [Check Out Your Investment Professional](#)
- ▶ [Investor Alert: Celebrity Endorsements](#)

COMMODITY FUTURES TRADING COMMISSION

- ▶ [Bitcoin Basics](#)
- ▶ [Introduction to Virtual Currency](#)
- ▶ [Customer Advisory: Beware Virtual Currency Pump-and-Dump Schemes](#)
- ▶ [Customer Advisory: Beware "SEC-Approved" Virtual Currency IRAs](#)
- ▶ [CFTC Background on Oversight of and Approach to Virtual Currency](#)

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

- ▶ [Get in the Know about ICOs](#)
- ▶ [NASAA Reminds Investors to Approach Cryptocurrencies, Initial Coin Offerings, and Other Cryptocurrency-Related Investment Products With Caution](#)
- ▶ [Investor Advisory: What to Know about ICOs](#)

CONSUMER FINANCIAL PROTECTION BUREAU

- ▶ [CFPB Warns Consumers About Bitcoin](#)
- ▶ [What Are Virtual Currencies and What Should I Look If I'm Interested in Using One?](#)
- ▶ [Consumer Advisory: Virtual Currencies and What You Should Know About Them](#)



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape

AT&T LTE

10:36 AM



Tweet



Cr

@

! 7X Return Guaranteed !

What if I told you I can guarantee you a 7X return on your investment, would you take it?

Donate money to the poor and needy and you will see your portfolio multiple to levels you never imagined.

[\\$btc](#) [\\$eos](#) [\\$ven](#) [\\$ont](#) [\\$zil](#) [\\$ocn](#) [\\$cs](#)
[\\$swan](#) [\\$neo](#) [\\$trx](#)

6/7/18, 3:33 AM

7 Retweets **102** Likes



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape



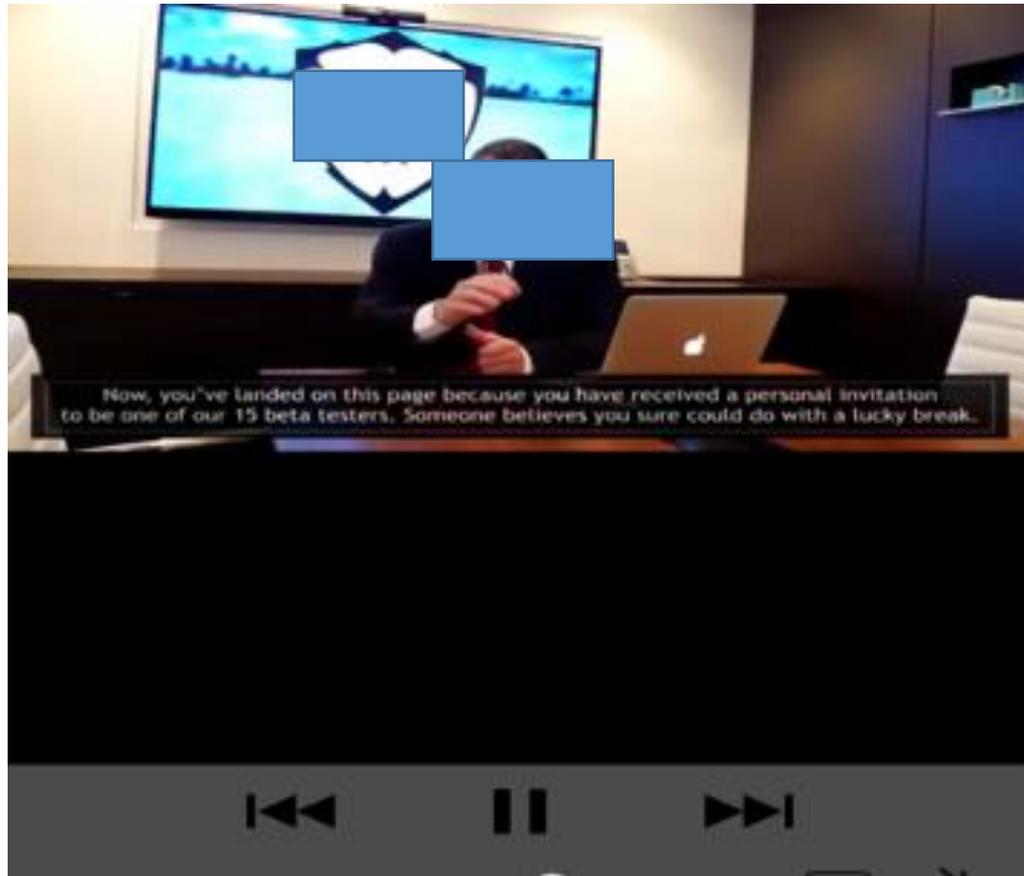


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape



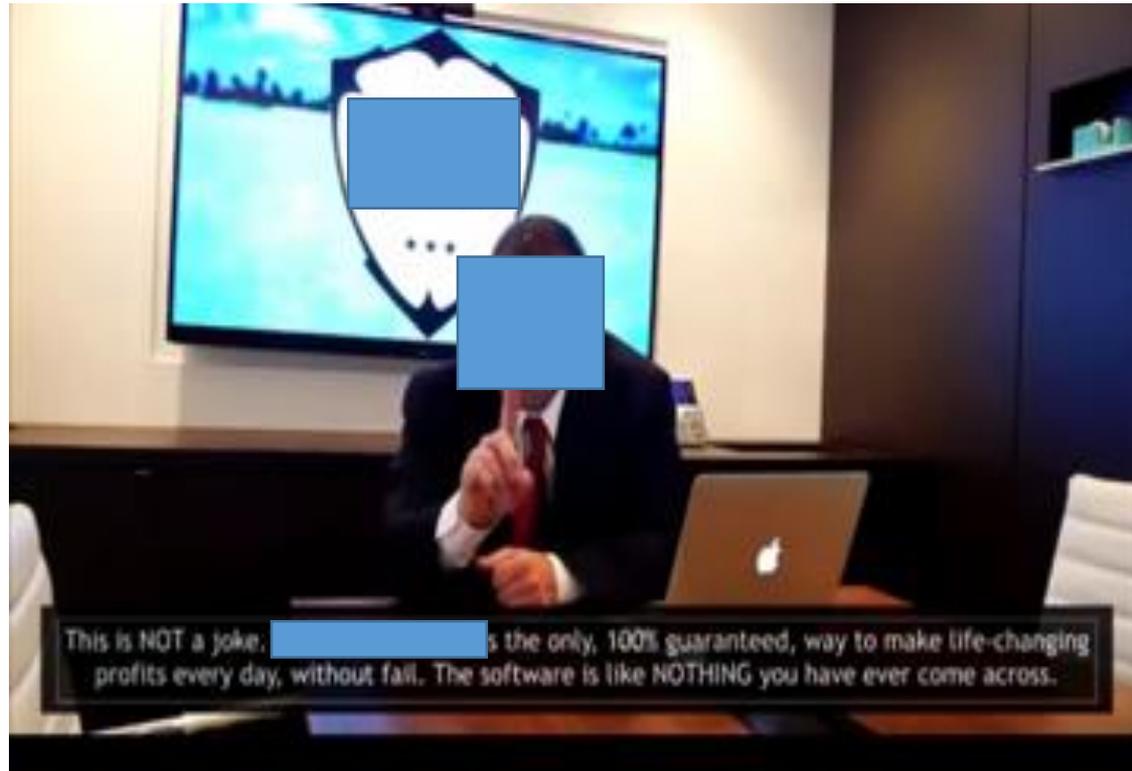


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape



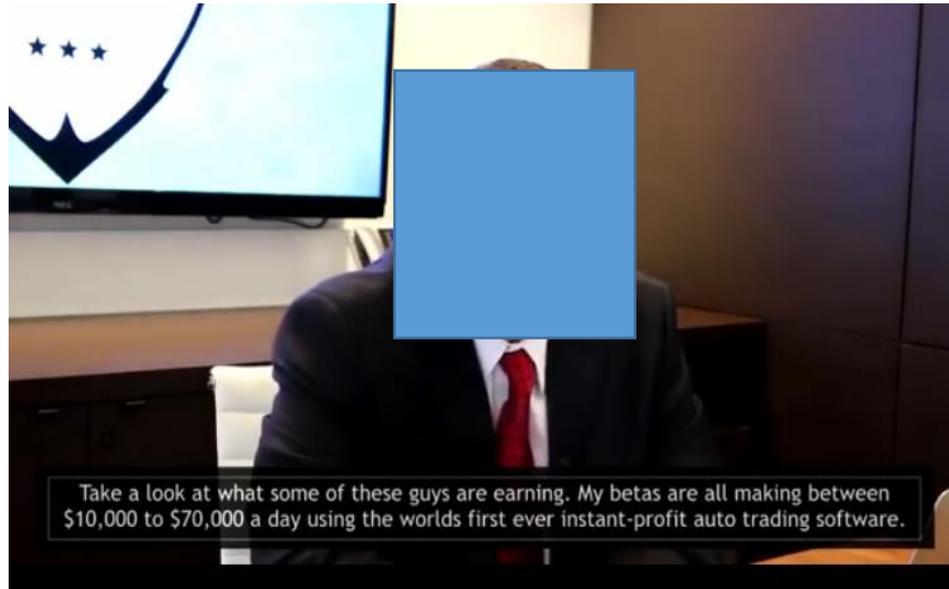


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape



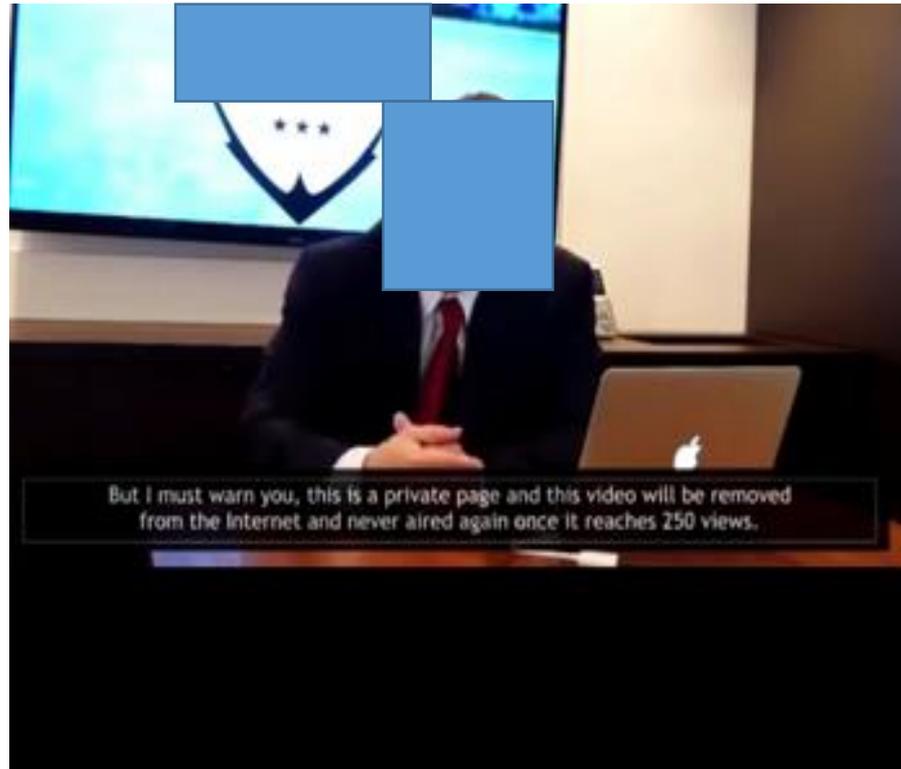


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape



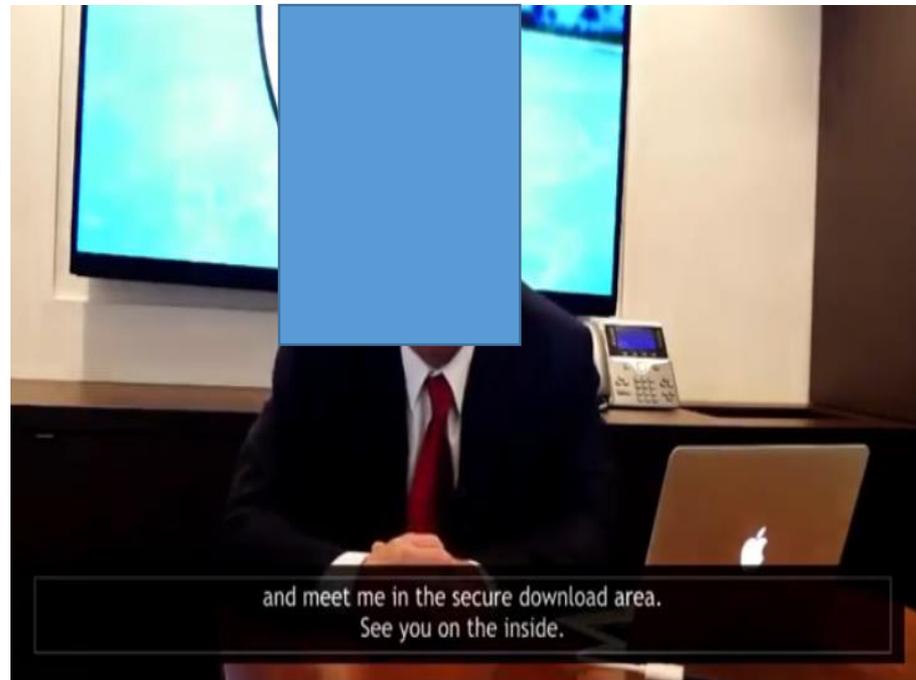


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

The Landscape

The screenshot displays a Twitter interface with four tweets. Each tweet features a profile picture of a man in a suit, a green checkmark icon, and a blue bar redacting the name. The tweets are as follows:

- Tweet 1:** "How To Make Money Online Fast 2017 - Ways To Generate Passive Income" with a link to youtu.be/NObelH... and @YouTube. Engagement: 36m.
- Tweet 2:** "Best Way To Make Money Online 2017 - Easy, Fast & Free Way To Earn \$10,0..." with a link to youtu.be/i8yPm... and @YouTube. Engagement: 37m.
- Tweet 3:** "How To Make Money Online Fast 2017 - Real Way To Make \$10,000 Per Day!" with a link to youtu.be/zsb2... and @YouTube. Engagement: 38m.
- Tweet 4:** "Best Binary Options Strategy 2017 - 99% Winning Trading Strategy 10,00..." with a link to youtu.be/GQq... and @YouTube. Engagement: 39m.

The bottom navigation bar includes icons for Home, Explore, Notifications (with a '1' badge), Messages, and Me.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

ICO Fraud Recovery

- Law enforcement faces challenges investigating ICOs:
- Tracing money.
- International scope.
- No central authority.
- Freezing or securing assets.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Enforcement Actions

- Trading suspensions in 2017 – capitalizing on cryptocurrency interest
- *REcoin and DRC World* (September 2017) – fraudulent ICO
- *PlexCorps* (December 2017) – ICO scam
- *Munchee* (December 2017) – unregistered offering
- *Bitfunder* (February 2018) – unregistered exchange and fraud



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Questions to Ask

- Where is my money going and what will it be used for? Is my money going to be used to “cash out” others?
- Who is issuing and sponsoring the product, what are their backgrounds?
- Do they have a clear written business plan that I understand?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Questions to Ask

- How, when, and at what cost can I sell my investment? For example, do I have a right to give the token or coin back to the company or to receive a refund?
- Has the offering been structured to comply with the securities laws?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Questions to Ask

- What legal protections may or may not be available in the event of fraud, a hack, malware, or a downturn in business prospects?
- Who will be responsible for refunding my investment if something goes wrong?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Educational Resources

- Investor.gov [Spotlight](#)
- *Investor Alert: Ponzi Schemes Using Virtual Currencies* (July 2013)
- *Investor Bulletin: Bitcoin and Other Virtual Currency-related Investments* (May 2014)
- *Investor Bulletin: Initial Coin Offerings* (July 2017)
- *Investor Alert: Public Companies Making ICO-related Claims* (August 2017)
- *Investor Alert: Celebrity Endorsements* (November 2017)
- [Director's Take – Thinking About Buying the Latest New Cryptocurrency or Token?](#) (February 2018)



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Investor.gov



Investor.gov

U.S. SECURITIES AND
EXCHANGE COMMISSION

[About Us](#) | [Contact Us](#) | [Follow Us](#) | [Información en Español](#)

[Introduction to Investing](#)

[Research Before You Invest](#)

[Protect Your Investments](#)

[Additional Resources](#)

Check Out Your
INVESTMENT PROFESSIONAL

SEARCH THE DATABASE

It's a great first step toward protecting your money. Learn about an investment professional's background, registration status, and more.

FEATURED INFORMATION



Public Service Campaign

Watch the "Before You Invest, Investor.gov" television spot and see other

INVESTOR ALERTS AND BULLETINS



Investor Bulletin: Microcap Stock Basics (Part 3 of 3: Risk)

Investor Bulletin: Microcap Stock Basics (Part 2 of 3: Research)

Investor Alert: Be on the Lookout for

GET HELP



Submit Complaints and Questions

Report a possible securities fraud, or ask a question or report a problem concerning investments, an investment account or a



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest,
Investor.gov

Let's Stay in Touch...

Office of Investor Education and Advocacy U.S. Securities and Exchange Commission

100 F Street NE, Washington, DC 20549-0213

Investor Assistance: 800-732-0330 | help@sec.gov



Investor.gov



www.facebook.com/SECInvestorEducation



[@SEC_Investor_Ed](https://twitter.com/SEC_Investor_Ed)



Outreach@SEC.gov



Virtual Currency Tips to Share

- There may be no recourse if your virtual currency is stolen.
- Virtual currencies are commonly targeted by hackers and fraudsters.
- Do not invest in products you do not understand.
- There is no such thing as a guaranteed investment or trading strategy.
- Some ICOs can be used to improperly entice investors with promises of high returns.
- If someone says they are a broker or advisor, check their registration status.



Virtual Currency Resources

Visit [CFTC.gov/Bitcoin](https://www.cftc.gov/Bitcoin) to access:

- Customer Advisories alerting investors about:
 - Risks of virtual currency trading
 - “IRS- approved” virtual currency IRAs
 - Virtual currency pump-and-dump schemes
 - Buying digital coins or tokens
 - *CFTC Talks* Podcasts on Virtual Currencies and more at [CFTC.gov/Media/Podcasts](https://www.cftc.gov/Media/Podcasts)
 - Fact Sheet on the CFTC’s role in regulating virtual currencies
-



Virtual Currency Resources (cont.)

Visit [CFTC.gov/Bitcoin](https://www.cftc.gov/Bitcoin)
to access:

- Bitcoin and Virtual Currency brochures
- Order free copies at <https://orders.gpo.gov/cftcpubs.aspx>

U.S. COMMODITY FUTURES TRADING COMMISSION

BITCOIN BASICS

What is Bitcoin?
Bitcoin is a convertible virtual currency. Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value.

Is Bitcoin a commodity?
Yes, virtual currencies, such as Bitcoin, have been determined to be commodities under the Commodity Exchange Act (CEA).

Does the CFTC oversee Bitcoin?
The U.S. Commodity Futures Trading Commission's (CFTC) jurisdiction is implicated when a virtual currency is used in a derivatives contract, or if there is fraud or manipulation involving a virtual currency traded in interstate commerce.

Learn More @ www.cftc.gov/bitcoin

**AN INTRODUCTION TO
VIRTUAL
CURRENCY**

U.S. COMMODITY FUTURES TRADING COMMISSION



Contact Information

U.S. Commodity Futures Trading Commission

Online:	CFTC.gov
Twitter:	@CFTC
Facebook:	@CFTCgov
Email:	Consumers@cftc.gov
Submit a tip:	(866) 366-2382
Whistleblower Office:	Whistleblower.gov
Publications:	https://orders.gpo.gov/cftcpubs.aspx
Virtual Currency:	www.CFTC.gov/Bitcoin

Meredith Regine Scialabba

mregine@cftc.gov | 202-418-5191
